

Message Text

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ACTION EB-07

INFO OCT-01 AF-06 EUR-12 IO-10 ISO-00 STR-04 SP-02 AID-05

NSC-05 CIEP-02 TRSE-00 SS-15 OMB-01 CEA-01 CIAE-00

COME-00 FRB-01 INR-07 NSAE-00 USIA-15 XMB-04 OPIC-06

LAB-04 SIL-01 PRS-01 PA-02 /112 W
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R 101602Z NOV 75

FM AMEMBASSY BERN

TO SECSTATE WASHDC 1667

INFO AMEMBASSY BONN

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY PRETORIA

AMEMBASSY ROME

USMISSION EC BRUSSELS

USMISSION GENEVA

USDEL MTN GENEVA

USMISSION OECD PARIS

AMCONSUL ZURICH UNN

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DEPARTMENT PASS TREASURY AND FRB

E.O. 11652: N/A

TAGS: ECON, EFIN, SZ

SUBJ: SWISS FINANCIAL AND ECONOMIC REPORT: WEEK OF NOVEMBER 2-8

1. SUMMARY: ONCE AGAIN THE DOLLAR SHOWED A STRENGTHENING
TREND IN THE FIRST HALF OF THE WEEK ONLY TO FALL BACK AGAIN
AS A RESULT OF BAD ECONOMIC NEWS FROM THE U.S. CONSIDERATION
OF SWISS ASSOCIATION WITH THE SNAKE HAS BEEN DELAYED UNTIL AT
LEAST DECEMBER. INTEREST RATES CONTINUED TO MOVE LOWER IN
LIQUID MONEY AND CAPITAL MARKETS DESPITE INDICATIONS THAT
FEDERAL BORROWING WILL HIT A NEW HIGH NEXT YEAR.

RECESSION AND UNEMPLOYMENT APPEAR TO BE HOLDING DOWN

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WAGE INCREASES AS WORKERS BECOME MORE CONCERNED ABOUT JOB

SECURITY. SWITZERLAND SEEMS TO BE WINNING THE BATTLE AGAINST INFLATION; ON A YEAR-TO-YEAR BASIS, CONSUMER PRICES IN OCTOBER WERE UP ONLY 4.8 PERCENT WHILE WHOLESALE PRICES WERE DOWN 5.8 PERCENT.

FINANCIAL

2. FOREIGN EXCHANGE AND GOLD: TRADING WAS GENERALLY QUIET ON THE ZURICH FOREIGN EXCHANGE MARKET THIS WEEK, AND THE SPOT DOLLAR GAINED GROUND TO REACH THE WEEK'S HIGH OF SF 2.6520 DURING THE DAY ON NOVEMBER 6. HOWEVER, NEWS OF THE OCTOBER RISE IN UNEMPLOYMENT AND WHOLESALE PRICES IN THE US, AND THE LATEST CUT IN THE PRIME RATE, ALL CONTRIBUTED TO DOWNWARD PRESSURE ON THE DOLLAR DURING THE LAST DAY AND ONE-HALF OF TRADING; THE DOLLAR ENDED THE WEEK ONLY SLIGHTLY HIGHER THAN IT BEGAN. TURNOVER ON THE GOLD MARKET WAS NORMAL AND PRICES ROSE A BIT. RATES AS FOLLOWS:

	11/3 (OPEN)	11/7 (CLOSE)
SPOT DOLLAR	SF 2.6210	SF 2.6280
FORWARD DISCOUNTS		
(PCT. P.A.)		
ONE MONTH	- 5.0	- 4.8
2MONTHS	- 3.6	- 3.4
3 MONTHS	- 3.8	- 3.8
6 MONTHS	- 3.8	- 3.7
12 MONTHS	- 3.5	- 3.4
SF/DM	SF 102.62	SF 102.61
GOLD	\$ 142.50	\$ 144.00

3. SWITZERLAND AND THE SNAKE: THE NOVEMBER 17 MEETING OF SNAKE FINANCE MINISTERS TO CONSIDER SWISS MEMBERSHIP HAS BEEN POSTPONED. THE OFFICIAL REASON GIVEN FOR THE POSTPONE-
MENT WAS THE NOVEMBER 15-17 ECONOMIC SUMMIT WHICH WILL NOT ALLOW THE FRENCH AND GERMAN MINISTERS TIME TO PREPARE FOR BOTH MEETINGS. ACCORDING TO PRESS REPORTS, MORE TIME IS NEEDED TO RESOLVE CERTAIN PROBLEMS RELATED TO SWISS MEMBERSHIP, AND DECEMBER 15 IS BEING CONSIDERED AS A POSSIBLE NEW
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DATE FOR A MEETING.

4. MONEY AND CAPITAL MARKETS: CALL MONEY WAS UNCHANGED AT 0.5 PERCENT THROUGHOUT THE WEEK. STOCK PRICES CONTINUED TO MOVE UPWARD ON GOOD TURNOVER AND THE SKA INDEX REACHED 188.7 (END 1959 EQUALS 100) ON NOVEMBER 8. THE AVERAGE YIELD ON OUTSTANDING CONFEDERATION BONDS SLIPPED FROM 6.08 PERCENT ON OCTOBER 28 TO 6.04 PERCENT ON NOVEMBER 7.

6. BUDGET FOR 1975: THE FEDERAL COUNCIL HAS ASKED THE PARLIAMENT FOR SF 344 MILLION IN SUPPLEMENTARY APPROPRIATIONS FOR 1975. WHEN THESE NEW EXPENDITURES ARE ADDED TO THE SUPPLEMENTARY APPROPRIATIONS PREVIOUSLY APPROVED DURING THE PARLIAMENT'S SUMMER SESSION, TOTAL SPENDING FOR 1975 WILL HAVE EXCEEDED THE ORIGINAL BUDGET ESTIMATE BY SF 480 MILLION OR 3.6 PERCENT. TAKING INTO ACCOUNT THE DECLINE IN REVENUES THIS YEAR (SEE BERN 3129), THE CONFEDERATION'S DEFICIT FOR 1975 SHOULD EASILY SURPASS SF 1 BILLION.

6. BUDGET FOR 1976: IN PUBLIC STATEMENTS FOLLOWING THE RELEASE OF THE PROPOSED CONFEDERATION BUDGET FOR 1976 (SEEN BERN 4554), FINANCE MINISTER CHEVALLAZ SAID THAT THE CURRENT ECONOMIC SITUATION WOULD NOT ALLOW THE GOVERNMENT TO PURSUE A RESTRICTIVE FISCAL POLICY; REVENUES ARE FALLING DUE TO THE RECESSION WHILE ADDITIONAL EXPENDITURES ARE NEEDED TO STIMULATE BUSINESS ACTIVITY. IN THE MINISTER'S VIEW, BUDGET DEFICITS ARE NOT A DISGRACE; THE PROBLEM IS TO FIND AN MONINFLATIONARY WAY TO FINANCE THEM. MINISTER CHEVALLAZ SAID THAT FEDERAL BOND ISSUES NEXT YEAR WILL HAVE TO TOTAL SF 2,670 MILLION IN ORDER TO COVER THE EXPECTED DEFICITS OF THE CONFEDERATION (SF 1.2 BILLION), THE FEDERAL RAILWAYS, AND THE POST, TELEPHONE, AND TELEGRAPH. (CONFEDERATION BOND ISSUES THIS YEAR WILL TOTAL ABOUT SF 1,500 MILLION.) THE MINISTER POINTED OUT THAT WITH A BUDGET OF SF 15 BILLION, A TOTAL PUBLIC DEBT OF SF10 BILLION COULD NOT BE CONSIDERED TOO LARGE.

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7. SNB STATEMENT OF ACCOUNT FOR OCTOBER: THA MAJOR CHANGES SHOWN BELOW ARE LARGELY THE RESULT OF THE UNWINDING OF COMMERCIAL BANKS' END-OF-QUARTER POSITIONING (SEE BERN 4176). PENALTY DEPOSITS ARE NO LONGER SHOWN IN THE EMBASSY'S SUMMARY FIGURES AS THESE DEPOSITS HAVE NOT BEEN DRAWN DOWN TO A NEGLIBIGLE BALANCE.

OCTOBER 31 CHANGE FROM SEPT 30
(MILLIONS OF SWISS FRANCS)

ASSETS

GOLD	11,892.7	-
F/X	9,739.5	DOWN 366.5
ROOSA BONDS	5,403.0	-

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DISCOUNTED PAPER	320.4	DOWN 1,243.0
LOMBARD LOANS	381.3	DOWN 85.7
OTHER	959.8	DOWN 197.6

LIABILITIES

NOTES IN CIRCULATION	17,541.9	DOWN 141.6
GIRO ACCOUNTS	6,507.0	DOWN 1,800.0

RESERVES (FOREIGN

LIABILITIES)	171.4	DOWN 12.8
OTHER	4,476.4	UP 61.6

BALANCE SHEET TOTALS 28,696.7 DOWN 1,892.8

ECONOMIC

8. EMPLOYMENT STATISTICS: AF FEDERAL COUNCIL DECREE OF JULY 9, 1975. REQUIRED ALL SWISS FIRMS EMPLOYING MORE THAN SIX PERSONS TO PROVIDE THE FEDERAL OFFICE OF INDUSTRY, TRADE, AND LABOR WITH VARIOUS WORK FORCE STATISTICS. THE LABOR OFFICE HAS NOW RELEASED ITS FIRST REPORT BASED ON THE INFORMATION PROVIDED BY 1,662 FIRMS (THERE ARE APPROXIMATELY 9,500 COMPANIES IN SWITZERLAND WITH MORE THAN 6 EMPLOYEES). AS OF

THE END OF SEPTEMBER, THESE FIRMS REPORTED THAT DUE TO THE RECESSION A TOTAL OF 89,200 PERSONS WERE WORKING LESS THAN FULL TIME AND 2,202 HAD BEEN LAID OFF. THE MOST RECENT GOS ESTIMATE PLACED THE NUMBER OF SHORT-TIME WORKERS AT 120,000.

9. FOREIGN RESIDENTS: THE NUMBER OF FOREIGN RESIDENTS IN SWITZERLAND AMOUNTED TO ABOUT 1.03 MILLION AT THE END OF AUGUST , OR 30,606 FEWER THAN AT THE END OF 1974. THE DECLINE OCCURED MAINLY IN THE PERIOD MAY-AUGUST, WHEN THE FOREIGN POPULATION CONTRACTED BY 25,887. THE NUMBER OF EMPLOYED FOREIGN RESIDENTS FELL BY 25,238 TO 568,287 IN THE FIRST EIGHT MONTHS OF THIS YEAR. THE NUMBER OF SEASONAL WORKERS DECLINED BY 65,954 BETWEEN AUGUST 1974 AND AUGUST 1975, AND THE NUMBER OF BORDER CROSSING WORKERS FELL 11,436 DURING THE SAME PERIOD. AT THE END OF AUGUST THERE WERE 86,008 SEASONAL AND 99,373 BORDER WORKERS IN SWITZERLAND.

10. INFLATION SLOWS: THE INDEX OF CONSUMER PRICES WAS 164.7 (SEPTEMBER 1966 EQUALS 100) AT THE END OF OCTOBER, WHICH REPRESENTS A 0.1 PERCENT INCREASE OVER THE UNCLASSIFIED

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PREVIOUS MONTH AND A YEAR-TO-YEAR RISE OF 4.8 PERCENT. THE MONTHLY INCREASE IS THE LOWEST SINCE OCTOBER 1967, DESPITE A HIGHER TURNOVER TAX; THE RATE ROSE FROM 4.4 TO 5.6 PERCENT ON OCTOBER 1. (THE TURNOVER TAX, HOWEVER, APPLIES TO ONLY ABOUT 30 PERCENT OF THE GOODS COVERED BY THE CONSUMER PRICE INDEX; THE NEW VAT EXPECTED TO BE INTRODUCED IN LATE 1977 OR EARLY 1978 WILL HAVE MUCH GREATER COVERAGE.) WHOLESAL PRICES FELL 0.1 PERCENT IN OCTOBER TO PRODUCE AN INDEX OF 146.6 (1963 EQUALS 100) AND AN ANNUAL DECLINE OF 5.8 PERCENT.

11. WAGES INCREASES ALSO SLOWING: ALTHOUGH NO OFFICIAL STATISTICS ON WAGE INCREASES HAVE BEEN PUBLISHED RECENTLY, WAGES MAY RISE MUCH MORE SLOWLY THAN THEY DID LAST YEAR (IN 1974 WAGES ROSE 10-15 PERCENT). OVER THE PAST SEVERAL YEARS, BANK EMPLOYEES HAVE USUALLY SET THE PACE WITH RELATIVELY HIGH ANNUAL SALARY INCREASES. THERE ARE INDICATIONS THAT THE BANKS WILL LIMIT WAGE INCREASES TO 3.5 PERCENT OR LESS THIS YEAR. OTHER EMPLOYEES WILL PROBABLY FOLLOW SUIT. THE RECESSION AND RISING UNEMPLOYMENT HAVE TEMPERED WORKERS' DEMANDS AND JOB SECURITY HAS BECOME AN IMPORTANT, IF NOT PRIMARY, CONSIDERATION.

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